

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CCO-00 SSO-00 EURE-00 INRE-00 NSCE-00

USIE-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SPC-03 SS-15

ACDA-19 IO-15 AGR-20 OMB-01 STR-08 COME-00 EB-11

CIEP-02 CEA-02 AF-10 AID-20 DRC-01 /191 W

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O 051348Z OCT 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 7846

INFO TREASURY DEPT WASHDC IMMEDIATE

UNCLAS SECTION 01 OF 02 BONN 14475

TREASURY FOR ALAN WADE

E.O. 11652: N/A

TAGS: OVIP (SHULTZ, GEORGE P.)

SUBJECT: SHULTZ ADDRESS OF OCTOBER 5, 1973

SHUTO 37

HIGHLIGHTS OF AN ADDRESS(THE TEXT OF THE ADDRESS WILL BE PUBLISHED IN THE NEAR FUTURE IN EUROPA ARCHIV AND IN THE WORLD TODAY) BY GEORGE P. SHULTZ, SECRETARY OF THE TREASURY OF THE UNITED STATES OF AMERICA BEFORE DIE DEUTSCHE GESELLSCHAFT FUER AUSWAERTIGE POLITIK, BONN, GERMANY, OCTOBER 5, 1973 ON THE POLITICAL IMPLICATIONS OF INTERNATIONAL MONETARY REFORM.

THE TECHNICAL ASPECTS OF MONETARY REFORM ARE VITAL AND HAVE RECEIVED MUCH PUBLIC DISCUSSION. BUT THEY WILL NOT BE THE PRIMARY CONCERN OF FINANCE MINISTERS AND THEIR SUPERIORS.

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TO INSURE THAT ANY MONETARY AGREEMENT IS POLITICALLY

ACCEPTABLE -- SO THAT IT WILL BE RATIFIED -- AND POLITICALLY WORKABLE -- SO THAT IT WILL ENDURE -- IS THE UNAVOIDABLE RESPONSIBILITY OF FINANCE MINISTERS AND OF CHANCELLORS AND PRESIDENTS.

IN NAIROBI WE WERE ABLE TO PUBLISH A RECORD OF CONSIDERABLE PROGRESS; WE AGREED ON A REASONABLE DEADLINE, JULY 31, 1974, FOR AGREEMENT IN PRINCIPLE ON ALL MAJOR ISSUES; WE INSTRUCTED OUR DEPUTIES TO SET UP A NUMBER OF WORKING GROUPS TO APPRAISE THE OPERATIONAL ASPECTS OF VARIOUS SPECIFIC PROPOSALS.

WE HAD BEEN ABLE TO BUILD ON CONSENSUS ON CERTAIN BASIC POINTS:

-- THAT AN INDIVIDUAL NATION NEEDS SUBSTANTIAL FLEXIBILITY IN CHOOSING AMONG ALTERNATIVE POLICIES FOR ACHIEVING ITS BASIC GOALS,

-- THAT THE INTERNATIONAL COMMUNITY SHOULD HAVE THE CAPACITY TO INSIST UPON RESPECT FOR THE REQUIREMENTS OF AN INTERNATIONAL ORDER, AND

-- THAT THERE MUST BE AGREEMENT ON SOME BASIC GUIDELINES TO BE EMPLOYED IN INTERNATIONAL REVIEW OF NATIONAL POLICIES.

IF IN FUTURE WE ARE TO AVOID JOLTING MONETARY CHANGES AND LIMITATIONS ON INTERNATIONAL TRADE AND INVESTMENT, THE GUIDELINES WILL HAVE TO MEET A NUMBER OF POLITICAL REQUIREMENTS:

-- THE MONETARY GUIDELINES WILL HAVE TO BE SET IN A FRAMEWORK OF INTERNATIONAL RULES THAT ARE SEEN TO BE FAIR TO ALL;

-- THEY MUST BE SUFFICIENTLY PRECISE THAT INTERNATIONAL DECISION WILL NOT BE TOO LONG DELAYED;

-- IF THERE IS TO BE WIDE ACCEPTANCE OF DECISIONS TO

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OVER-RIDE OR NOT TO OVER-RIDE THE GUIDELINES IN SPECIFIC INSTANCES, THE DECISIONS WILL HAVE TO BE MADE BY OFFICIALS CLEARLY ACTING WITH THE AUTHORITY OF THEIR GOVERNMENTS;

-- THE GUIDELINES MUST NOT INTERFERE UNNECESSARILY IN NATIONAL DECISION-MAKING; AND

-- THE GUIDELINES SHOULD NOT BE MADE VERY DETAILED JUST
FOR THEORETICAL PERFECTION WHERE SUCH DETAIL IS NOT
ESSENTIAL.

OBVIOUSLY, THERE ARE ALSO BASIC ECONOMIC PREREQUISITES
FOR THE SUCCESS OF ANY NEW INTERNATIONAL MONETARY AGREE-
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CIEP-02 CEA-02 AF-10 AID-20 DRC-01 /191 W

----- 023539

O 051348Z OCT 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 7847

INFO TREASURY DEPT WASHDC IMMEDIATE

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-- GOVERNMENTS MUST EXPLAIN THEIR POLICIES AND FORE-
CASTS, SO THAT WIDE DIFFERENCES DO NOT DEVELOP BETWEEN
THE EXCHANGE MARKET PREDICTIONS OF GOVERNMENTS AND THE
PREDICTIONS IMPLIED BY THE ACTIONS OF THE MARKET PARTI-
CIPANTS, AND

-- GOVERNMENTS MUST DEMONSTRATE FAR MORE EFFECTIVENESS
IN FIGHTING INFLATION IN THE COMING YEARS THAN THEY HAVE
SHOWN IN RECENT YEARS.

FORTUNATELY, GOVERNMENTS ARE DISPLAYING A NEW DETERMINATION TO MASTER INFLATION, BUT THE WORLD HAS NOT YET BEEN MADE SAFE FOR A RATIONAL INTERNATIONAL MONETARY SYSTEM.

THERE ARE HOPEFUL SIGNS:

-- IN RECENT WEEKS THERE HAVE BEEN STRIKING REDUCTIONS
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IN THE PRICES OF MAJOR AGRICULTURAL PRODUCTS;

-- THE U.S. HAS BEEN ABLE TO TERMINATE ITS AGRICULTURAL
EXPORT CONTROLS;

-- BUDGETARY RESTRAINT IS THE ORDER OF THE DAY IN A
NUMBER OF COUNTRIES, INCLUDING THE UNITED STATES;

-- IN THE UNITED STATES MONETARY GROWTH HAS BEEN SHARPLY
CURTAILED;

-- THE U.S. PAYMENTS POSITION IS STRONGLY IMPROVING, NOT
ONLY BECAUSE OF THE MARKED STRENGTHENING OF THE TRADE
BALANCE, BUT ALSO BECAUSE OF A RESUMPTION OF THE FLOW OF
PRIVATE INVESTMENT TO THE U.S. WE WELCOME THIS FLOW
WHETHER IT BE IN PORTFOLIO FORM OR IN DIRECT INVESTMENT
IN U.S. OPERATIONS.

WE ARE MOVING TOWARD CIRCUMSTANCES WHICH WILL PERMIT
IMPLEMENTATION OF NEW INTERNATIONAL MONETARY ARRANGEMENTS.
WHEN THAT TIME COMES WE MUST PRESENT THE WORLD
AN AGREEMENT THAT IS ECONOMICALLY WORKABLE AND
POLITICALLY ACCEPTABLE.
SHULTZ

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 05 OCT 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973BONN14475
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731049/aaaabjqw.tel
Line Count: 208
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 24 SEP 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24-Sep-2001 by phillir0>; APPROVED <08 MAR 2002 by izenbei0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SHULTZ ADDRESS OF OCTOBER 5, 1973 SHUTO 37
TAGS: OVIP, (SHULTZ, GEORGE P)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005